

99.00909



TENNESSEE

REC'D TN
REGULATORY AUTH.BRENT TAYLOR
Councilman - District 2

'00 SEP 11 PM 4 26 CITY COUNCIL

OFFICE OF THE
EXECUTIVE SECRETARY

RECEIVED

SEP 11 2000

SARA KYLE, COMMISSIONER
TN PUBLIC SERVICE COM. 4

September 6, 2000

Honorable Sara Kyle
Chairman, Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Memphis Networx/Memphis City Council

Dear Chairman Kyle:

As chairman of the General Services and Utilities Committee of the Memphis City Council, I have been following with great interest newspaper articles in the Memphis Commercial Appeal regarding the Tennessee Regulatory Authority's review of the application of Memphis Networx. In reading these articles, it is my understanding that the TRA will reconvene the hearing soon. As you may know, the Memphis City Council has not granted a franchise to enter the streets and rights-of-way to Memphis Networx, Alex Lowe or MLGW to provide telecommunications services.

We intend to review this proposal again, if needed, only after the TRA considers it. I felt it was necessary to write this letter to you because in one of the newspaper articles, John McCullough, the chief financial officer of MLGW, is quoted as saying, "I don't believe there are any outstanding unanswered questions by the City Council." If Mr. McCullough made a statement to this effect, please be advised that this statement is not accurate. As chairman of the General Services and Utilities Committee I remain concerned about multiple aspects of this project, not the least of which is the failure of MLGW officials to present this project when the MLGW 2000 budget was approved in December 1999. During that process, the Council was not afforded the opportunity by MLGW to debate the merit of the Memphis Networx proposal or MLGW's partner, Alex Lowe. While the council will make its own decision regarding the Networx application before the City, since we do not have much information on the details of this project,

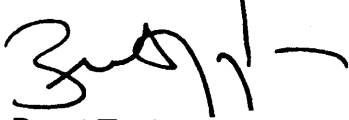
POSTED
9-12-00

Honorable Sara Kyle
September 6, 2000
Page 2

we hope that you will fully explore anything you consider to be relevant or useful and forward it to us.

In closing, the Memphis Network project is a significant expenditure of public rate payer funds. As such, my colleagues and I will continue to monitor the hearings before the TRA. I would be most interested in you keeping us advised as this matter develops. If you have any questions, please do not hesitate to give me a call.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brent Taylor", with a horizontal line extending to the right.

Brent Taylor
Memphis City Councilman

BT/pwc

Enclosure

cc: John McCullough

Dow Industrials
10,739.22 -54.35
Nasdaq
4,177.17 -97.50
S & P 500 Index
1,493.74 -16.75
Russell 2000
576.28 -8.20



MONEY & BUSINESS

Soybeans Aug. futures
455.50 -2.00
Cotton Oct. futures
60.56 +0.54
30-Yr Treasuries
5.90 -0.01
Dollar
1.0793 Euro +0.0104

MEMPHIS, WEDNESDAY, JULY 19, 2000

THE COMMERCIAL APPEAL

SECTI

TRA asks about big LG&W loan

By Mark Watson
The Commercial Appeal

NASHVILLE — The Memphis Networkx proposal is about communication, but the project's proponents were questioned extensively Tuesday about how little communication the Memphis City Council and their constituents received about the project before it was funded.

The Tennessee Regulatory Authority is mulling the approval of a certificate that would allow Memphis Networkx to operate as a competitive local phone company. A joint venture of Memphis Light, Gas & Water Division and A&L Networks-Tennessee, Memphis Networkx proposes to install a high-speed, fiber-optic communications network throughout Shelby County.

The Tennessee Regulatory Authority on Tuesday concluded the second of four scheduled days of testimony about the project with a warning that the hearing probably would not be concluded on Thursday as planned. The TRA asked participants to consider when more days of testimony might be scheduled.

During Tuesday's cross-examination of John McCullough, LG&W senior vice president and secretary-treasurer, TRA Chairman Sara Kyle said she is "blown away" that a proposed \$20 million loan to help fund Memphis Networkx wasn't considered a "major project," when LG&W's budget was approved in December. A list of such major projects was provided with that budget, but the \$20 million loan was not among them, McCullough conceded.

Rather, the loan and the approval of the project was considered as a single line item on the budget.

LG&W officials briefed John Bobango, who then chaired the City Council's General Services Committee, before the December 1999 approval of this budget, McCullough said, but admitted that LG&W conducted no formal briefing of

joint venture in August 1999.

J. Maxwell Williams, LG&W attorney, testified it was one of several items approved en masse during LG&W's public meeting, which starts at 1:30 p.m. on the first and third Thursday of each month. Typically, LG&W members and staff discuss issues in detail in an 11 a.m. meeting on the day of the regular meeting, Williams said. The public and the press is allowed at these sessions, but Williams said he knows of no notice being published about the 11 a.m. meetings.

Farris asked McCullough about minutes of a meeting of several LG&W officials in which they suggest they might be able to "slip by" the council the approval of the budget in December with little explanation of the \$20 million loan.

McCullough said the person who took notes was an intern, and said the sentence that refers to "slipping by" was unclear.

"In all fairness, I am just so blown away that not everybody saw this as just so exciting," Kyle said.

McCullough conceded that Councilman Brent Taylor, among others, expressed concern about how little they knew about the project before they approved it, but subsequent discussions appear to have mollified those concerns.

"I don't believe there are any outstanding unanswered questions by the City Council," McCullough said.

But Farris and Chuck Welch, another Time Warner attorney, had questions about how LG&W has funded its contribution to Memphis Networkx's start-up costs, which have reached about \$5 million, of which LG&W pays half.

Williams and Ward Huddleston Jr., Memphis Networkx's chief executive officer, said Memphis Networkx has not drawn on that \$20 million loan, because that loan was contingent on the TRA granting Memphis Networkx the authority to operate as a local phone

And McCullough said that money is to be repaid once the TRA grants approval and the \$20 million loan is executed.

Welch said state law prohibits such a loan.

Larry Thompson, LG&W senior vice president for operations, said the money was simply an administrative expense with a research and development purpose. LG&W occasionally spends such large sums on a project, such as for underground boring, rather than digging a trench across a street.

"If it (Memphis Networkx) gets shut down, it will be expensive R&D activity," Thompson said.

To reach reporter Mark Watson, call 529-5874 or E-mail watson@gomemphis.com